

PRIMETIMES

PICKING VALUE, CREATING VALUE

The environment is changing, but focusing on creating sustainable value prevails.

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ASSISTED LIVING

A fascinating segment whose potential is still far from being exhausted.

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FINANCIAL YEAR 2013

Key facts and figures

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SWISS PRIME SITE



EDITORIAL

Dear Reader

Since it was founded 15 years ago, Swiss Prime Site has developed into the leading listed real estate investment company in Switzerland, dedicated to achieving sustainable growth as well as considerable earnings continuity. In addition to the core real estate investment business, the Group has tapped new business fields in recent years harbouring promising earnings potential. This expansion of the business model has today transformed Swiss Prime Site into a Group comprising three segments: real estate, assisted living as well as retail and gastronomy.

The real estate segment consists of the traditional property investment business in addition to real estate services since the acquisition of Wincasa in 2012. With the acquisition of Tertianum Group in 2013, Swiss Prime Site created the assisted living segment. And the retail and gastronomy segment comprises Jelmoli – The House of Brands as well as Clouds Restaurant. All segments have in common their direct link to the real estate business and the creation of added value with property investments. This presence in three segments broadens Swiss Prime Site's earnings base and paves the way for additional growth opportunities, too. In order to exhaust these opportunities purposefully and efficiently, the Group has undergone organisational and structural changes.

Our new publication «Prime Times» appropriately expresses the Group's transformation of recent years and future changes as well. The magazine will be published on a semi-annual basis, replacing the previous Swiss Prime News. Prime Times features a new layout and

smaller-scale format. The contents aim to not only provide readers with facts and figures, but also to offer in-depth insight into our day-to-day business activities and reports on the dynamic market environment.

Prime Times is focused primarily on our shareholders. But the magazine also aims to provide information to other stakeholders such as tenants, business partners or employees. Swiss Prime Site today can look back at an impressive success story and look forward to a promising future thanks particularly to its motivated, competent and dedicated employees.

The fact that Swiss Prime Site's earnings strength has persevered even in the wake of the steps taken to achieve growth in recent years is manifested in the results for the financial year 2013, which we present starting from page 29. These results reaffirm our capability to generate steadily high earnings streams and attractive appreciation in value, even amid a changing market environment. Swiss Prime Site's foundation, built around profitable existing office and retail properties, has indeed proven the test of time.

I truly hope you like Prime Times and thoroughly enjoy reading the publication.



Markus Graf
CEO Swiss Prime Site AG



COVER

Prime Tower, Zurich:
The demand for modern and flexibly utilised office properties situated in prime locations continues to prevail.

IMPRINT

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For Swiss Prime Site, growth has always been a means to an end and achieved with the objective of creating sustainable value for its stakeholders.

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The robust economy and flourishing exports are holding the demand for office and residential properties steady at a high level.

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Regional and global brands are the protagonists at the new Jelmoli Food Market.

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Swiss Prime Site boasts a well-endowed real estate portfolio featuring fascinating projects and attractive building land reserves.

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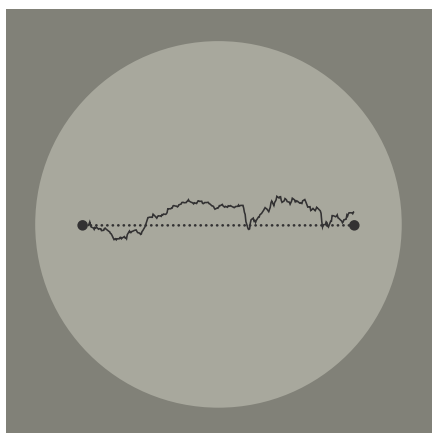


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Excerpt from the Annual Report 2013

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% REPORTING

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A man in a dark suit stands with his back to the camera, looking out of a large window at a sprawling cityscape. The city features a mix of modern and older buildings, with a prominent bridge and a stadium visible in the foreground. The sky is hazy with some clouds. The man is standing on a dark wooden floor.

01

..... BACKGROUND

**PERFORMANCE
FOR SHAREHOLDERS,
ADVANTAGES
FOR TENANTS**

PICKING VALUE, CREATING VALUE

For Swiss Prime Site, growth has always been a means to an end and achieved with the objective of creating sustainable value for its stakeholders. Moreover, the acquisitions carried out in recent years should be viewed from this perspective.

Since Swiss Prime Site was founded 15 years ago, it has developed into the leading listed real estate investment company in Switzerland. Today the Group comprises three segments: real estate, retail and gastronomy as well as assisted living. The real estate business constitutes the central and binding element of the three segments.

**QUANTITY
ALONE IS NOT A
CHARACTERISTIC
OF QUALITY,
NEVERTHELESS
IT DOES PROVIDE
ADVANTAGES.**

The real estate portfolio is currently valued at CHF 9.3 billion and distinguished by its above-average quality. The principle of «quality over quantity» does



Swiss Prime Site continues to direct its focal point at high-quality real estates in urban regions.



Location determines success.

not preclude growth. On the contrary, quantity provides many advantages, leading to implementation of more sustainable structures and clearly defined processes. This, in turn, boosts efficiency and reduces risks. In fact, a certain size and a solid capital base pave the way for forging ahead with acquisitions or project developments, without encountering disproportionately excessive risks.

**THE TRADITIONAL
REAL ESTATE
INVESTMENT
BUSINESS
CONTINUES TO
CONSTITUTE THE
MOST IMPOR-
TANT SOURCE OF
EARNINGS.**



Swiss Prime Site's Executive Board is efficient, experienced and effective.
From left to right: Peter Wullschleger, Markus Graf, Peter Lehmann, Oliver Hofmann, Luca Stäger and Franco Savastano

VALUE-ORIENTED GROWTH

Swiss Prime Site's development and expansion has always coincided with the creation of value. This value benefits shareholders in the form of attractive distributions and share price gains (see also excerpt from the Annual Report 2013, starting on page 29).

Swiss Prime Site also creates value for the tenants or their employees and customers occupying the roughly 190 properties of the Company. Since the acquisition of Wincasa in October 2012, Swiss Prime Site also counts real estate owners among its customers. Tertianum Group's customers include the guests who reside in the residences as well as the seniors who utilise its geriatric care facilities and other services. In the retail and gastronomy segment, ultimately each and every person could be counted as a customer who shops at Jelmoli – The House of Brands department store or dines at Clouds Restaurant in Prime Tower.

Regardless of the strategic growth in other real-estate-related fields of activity, the traditional real estate investment business continues to constitute the most important source of earnings

for the Group. Earnings are generated through leasing properties and trading properties as well as through revaluations and development gains.

**SWISS PRIME
SITE'S EXPANSION
ALWAYS COIN-
CIDED WITH
THE CREATION
OF VALUE.**

Swiss Prime Site is ideally positioned to seize further growth opportunities and maintain the strategic focus on investments with significant value creation. CEO Markus Graf explains just how the Group executes its business model in the following interview.



Project developments are becoming increasingly more strategic.

INTERVIEW WITH CEO MARKUS GRAF: “MOMENTUM IS A REQUISITE.”

The supplemental activities serve to strengthen the core real estate investment business and more broadly underpin the earnings streams, according to the credo of Markus Graf, CEO of Swiss Prime Site.

Mr Graf, why should investors hold or buy Swiss Prime Site stock?

Because investing in the share has paid off for investors since the Company was founded in 1999. The stock has turned in an above-average risk-optimised performance. And based on the current economic indicators, expectations point to a positive performance of the Swiss Prime Site share in the future as well.

The acquisitions of Jelmoli, Wincasa and Tertianum sparked the impression that Swiss Prime Site is no longer a pure real estate investment company. Is that correct?

No. Investments in high-quality properties situated in prime locations, primarily with office and retail floor space, as well as project developments continue to form the foundation of the Group's core business. Real estate investments and project developments constitute the most important sources of earnings and value drivers. We carried out the additional acquisitions because they either included attractive properties, or provided a direct reference to real estate.

What's the purpose of the activities outside the real estate investment business?

There are two primary purposes: firstly, these activities generate additional revenues and broaden our earnings base. Secondly, they underpin our core business as well.

What do you mean by «strengthen the core business»?

I'll give you an example: we succeeded in adding properties to the portfolio valued at roughly CHF 436 million through the acquisition of Tertianum Group last year. Consequently, the portfolio was diversified by properties in prime loca-

tions, some of which really rank as local «jewels». We lease these properties to an operating company that we also own, but theoretically could be independent, too. In 2013, Swiss Prime Site was able to generate substantial additional revenues with the assisted living segment. Experts all agree that this segment will generate robust growth – and we aim to participate in the trend.

“REAL VALUE – THIS FOCUS HAS PROVEN SUCCESSFUL.”

Could you have invested the resources more suitably directly in real estate rather than in acquisitions?

It's a question of price and/or realisable return. Scant buying opportunities have emerged with existing properties in recent years that corresponded to our investment criteria and return considerations. In contrast, real estate project developments, restructuring and repositioning have opened the door to opportunities, which we have purposefully and successfully seized. Indeed, this is also evidenced by the excellent revaluation gains in recent years, or the well-filled project pipeline.

Why are you so certain that the acquisitions lead to the addition of strategy-conforming properties to the portfolio?

In real estate blocs, there are occasional properties that fail to conform to our strategy. In that case, our dynamic portfolio management takes over.

What is dynamic portfolio management?

We keep a close eye on investing in the right properties at all times: i.e. real estate that the market demands today and tomorrow. If we recognise that a given property can no longer fulfil such criteria, it's divested. Achieving a good portfolio requires vigilance, considerable know-how, a favourable network and significant dynamics.

Did Swiss Prime Site divest any properties in 2013 as well?

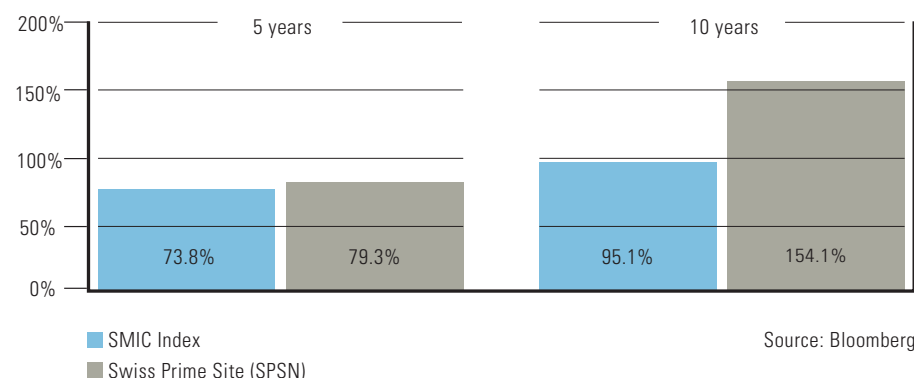
Yes. We divested a large commercial property in Allschwil, a logistics building in Oberbüren and eight smaller properties and – notably – realised total proceeds that exceeded the fair value by roughly CHF 20 million.

One last question, short answer: what are you focusing on in 2014?

On «the real value» – this focus has proven successful and will continue to pay off.

TOTAL RETURN ON SPS SHARE

SHARE-PRICE PERFORMANCE PLUS DISTRIBUTION





02

..... REAL ESTATE MARKET

**POSITIVE TREND
AMID ROBUST
ENVIRONMENT**

ECONOMIC GROWTH UNDERPINS REAL ESTATE PRICES

Growth in gross domestic product (GDP) should be slightly stronger at 2.2% in 2014 versus 1.8% in 2013. The Swiss economy remains robust, and the export industry should noticeably pick up momentum. While the trend on the real estate markets paints a mixed picture in the office and retail sectors, the demand for residential rental properties will likely remain brisk for the time being, despite the acceptance of the «Against Mass Migration Initiative».

The favourable economic trend in Switzerland, nourished by low interest rates and high migration rates, continued to prevail in 2013. These two factors should still underpin growth in the domestic economy in 2014 as well, albeit to a somewhat diminished extent. Interest rate levels are moving away from their historical low points, but rates for new mortgage loans are still more attractive than many for expiring old mortgages, so the interest rate effect is positive. The measures decreed by the Swiss Federal Council in January 2014, aimed at requiring more capital from banks when issuing mortgages for residential housing construction, will not change these circumstances. The number of immigrants should remain high in 2014, despite the acceptance of the «Against Mass Migration Initiative».

The slight cooldown in domestic demand should be more than offset by strong export growth in the current year. The export industry will be spurred on by the anticipated global economic growth and underpinned by the stable situation on the financial markets and less restrictive fiscal policies in the USA and Europe, in addition to continuing expansionary monetary policy. Although the passing of the «Against Mass Migration Initiative» triggers some uncertainties, the effects on the economic trend should come with

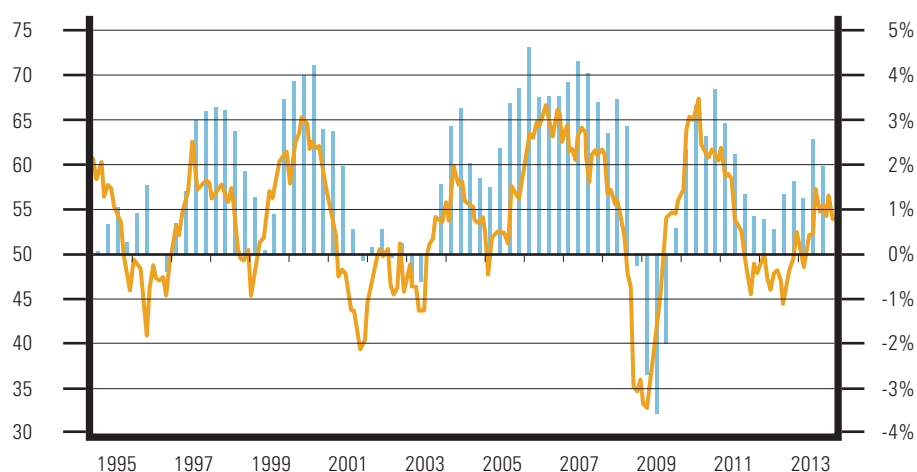
a time lag. The greatest forecast risks are also associated with the trend in the international economy. Low interest rates and high public-sector debt levels significantly limit the manoeuvring room in most industrialised countries. This, in turn, renders the global economy vulnerable to shocks to which it can no longer appropriately react.

FORECASTS CALL FOR ECONOMIC GROWTH OF 2.2% FOR 2014.

Estimated economic growth for 2014 amounts to 2.2% (2013: 1.8%) according to the average of six forecast institutes. Private consumption is expected to continue its relatively strong trend with

1.9%, while exports should surge considerably with +4.6%. Leading indicators such as the Purchasing Managers' Index (PMI) also point to robust – albeit rather average – growth. The unemployment rate should have reached its peak and slightly decline again in the course of the coming months. Estimates indicate an average unemployment rate of 3.3% for 2014, which is very low by international comparison. No inflation risks are discernible in Switzerland for the foreseeable future. Inflation forecasts for 2014 and 2015 compiled by the major forecast institutes and the Swiss National Bank (SNB) amount to an average of 0.4% and 0.8%, respectively, thus falling noticeably short of the 2% mark defined by the SNB as the threshold for price stability.

LEADING INDICATORS POINT TO CONTINUING ROBUST GROWTH



■ Real gross domestic product (GDP), r.h. scale
— Purchasing Managers' Index (PMI), l.h. scale

Source: Credit Suisse AG, SECO



High-quality materialised properties continue to attract tenants (Platform Zurich).

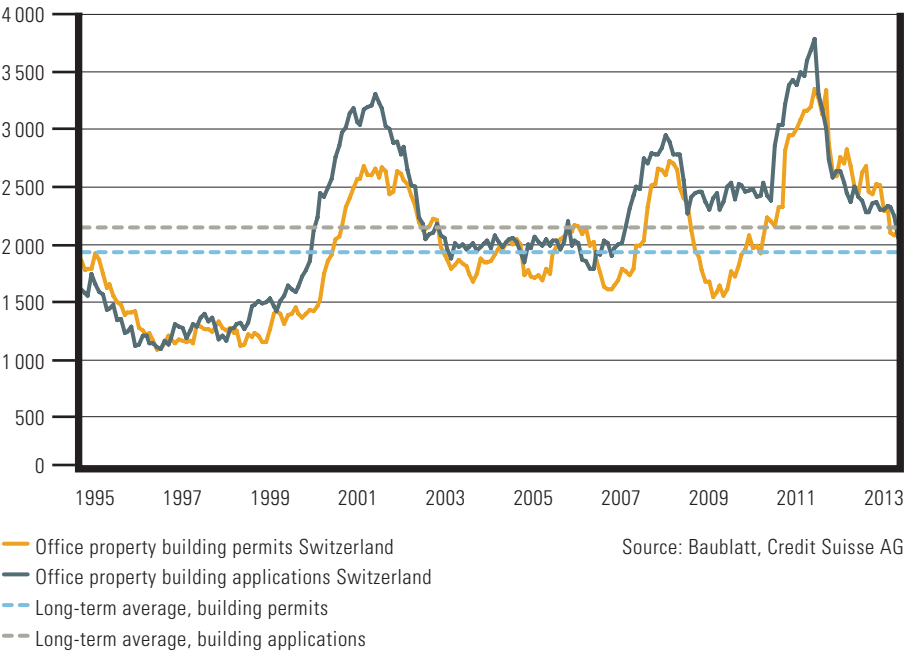
OFFICE PROPERTY

The Swiss office property market continues to be marked by new construction activities even though the number of building permits has declined in the past two years. New floor space has been absorbed relatively well, with demand impetus increasingly emanating from sectors such as healthcare and social services or the educational system recently, and not from the traditional office sector. The index for office rents exhibited a slightly upward trend in the past two years, which may be attributable less to actual price hikes and more to improvements in the quality of the supply of floor space in terms of location and standards. Furthermore, there are signs of increasing instances of financial concessions in the leasing process: for example, rent-free periods or contributions to interior design for tenants, which do not flow into the valuations.

However, investors now seem to be reacting to the uncertain economic environment and high level of market liquidity, scaling back project developments in the commercial property sector (see chart). Building applications as well as authorised building volumes for office properties have been exhibiting a clearly downward trend since the end of 2011. Building authorisation activity in peripheral areas in particular is still

MARKET DEVELOPMENT,
PROJECT PLANNING OFFICE BUILDINGS

NEW BUILDINGS IN CHF MILLION, ROLLING 12-MONTH TOTAL



Source: Baublatt, Credit Suisse AG

wavering noticeably above average by long-term comparison, accounting for a combined roughly CHF 640 million or 30% share of all new building projects in the past 12 months. Experience indicates that a significant proportion of these newly constructed buildings are

designated for owner occupancy. Building authorisation activity in Zurich, Lausanne and Geneva is hovering considerably below the historical average, while Berne is exhibiting noticeably above-average figures.

RETAIL PROPERTY

At first glance, the Swiss retail property market is in an advantageous position, with robust private consumption, steadily growing resident population and rising household incomes.

Nevertheless, the actual situation on the retail real estate market is tight. On the one hand, numerous new shopping centres have now emerged on the market in recent years, most of which seek to combine consumption and leisure, displacing many traditional retail shops in their environment. On the other hand, the significance of the online retail trade and shopping tourism is playing an increasing role, thus exerting pressure on the sales potential based on retail floor space. Consequently, smaller cities, peripheral areas and near-border locations in particular are increasingly facing a difficult environment. High-quality, highly frequented locations are relatively unaffected by this trend, where market rents continue to hover at a high level.



Retail floor space in highly frequented locations is very popular, especially with fashion brands.



The supply of residential properties in major urban centres remains limited.

RESIDENTIAL PROPERTY

The residential housing market in Switzerland has garnered noticeable impetus in recent years, not just from the prevailing pace of international migration, but also from rising consumption of residential floor space as well as increasing household disposable incomes of the Swiss population. The migration-induced brisk demand faces a limited supply of residential property, particularly in the major cities. Although the acceptance of the «Against Mass Migration Initiative» harbours some risks in the medium term, the effects on the number of immigrants and the demand for residential property should not take hold until 2015. Meanwhile, new building construction is concentrated in the agglomerations or peripheral areas. Consequently, the residential rental market in the major cities appears tight, with low vacancy rates of 0.1% to 0.6% as at July 2013 versus the Swiss average of 1.4%. The discrepancy between market rents and rents for existing lease agreements has widened further with the reduction of the reference interest rate to 2% as at 03.09.2013. Rents for existing properties linked to the reference rate should accordingly edge down slightly, or at least remain stable, in the course of the year.

A person in a dark coat and carrying a bag walks away from the camera down a wide, gravel path. The path is lined with tall, leafless trees that create a canopy overhead. In the background, a large, multi-story brick building with many windows is visible. The sky is overcast and grey. The overall mood is quiet and contemplative.

03

INTERVIEW

**URBAN PSYCHOLOGY
SERVES USERS AS WELL
AS INVESTORS**

URBAN PSYCHOLOGY IS GAINING GROUND

Are there building façades that are generally regarded as attractive? Which building attributes facilitate our orientation? How can the flow of pedestrians be controlled? Urban psychology addresses these issues and more. The Center for Urban & Real Estate Management (CUREM) – part of the Institute for Banking and Finance at the University of Zurich – opens the door to accessing this field of research in practice. Lecturer Alice Hollenstein explains the correlations in the following interview.

Ms Hollenstein, why are urban development and building design currently in need of psychologists as well?

Urban and building development necessitates, among other things, knowledge of the experiences and behaviours of human beings. Urban psychology describes, explains, forecasts and changes (if necessary) the experiences and behaviours of numerous individuals in the constructed environment on an empirical basis.

Does urban psychology also have economic advantages?

Yes. Urban psychology analyses the reasons for economic phenomena – for example, the positive effects of Wilhelminian-style façades on the value of a property – and provides relevant recommendations for action.

How has urban psychology emerged and what impact has it had to date?

Urban psychology as a subordinate field of environmental psychology is more than 100 years old. In the course of industrialisation, experimental analyses were conducted at that time to determine which environmental factors exerted a performance-enhancing effect on people. A research boom emerged in the 1960s and 1970s, triggered by the precipitous growth of urban districts. The first studies on topics such as building aesthetics, social and structural density, recreational space and place iden-



ALICE HOLLENSTEIN | «Urban psychology also contributes to a building's long-term functionality.»

ABOUT ALICE HOLLENSTEIN

Alice Hollenstein (1982) works as a researcher at the Center for Urban & Real Estate Management (CUREM) at the University of Zurich, where she also heads the urban psychology course, among other things. She is writing a dissertation at the Chemnitz University of Technology and holds a Master of Science in Psychology, with minors in Economics and Environmental Sciences. Previously, she completed a research internship at Hong Kong University and worked in the consumer goods industry.



Clear directions and landmarks facilitate navigation for visitors (Sihlcity Zurich).

tity were published during these years. Urban psychology paved the way for more precisely defining, measuring and influencing soft factors, for instance, like place identity.

How has urban psychology changed since its origins?

The methodological possibilities have multiplied. In the meantime, we are capable of measuring brain activities, eye movements and hormonal releases, or carrying out surveys of large numbers of people in just a brief period of time by means of online questionnaires, for example.

In which countries or cities has urban psychology been most favourably established?

I know of projects particularly in the USA, Australia, Germany and Austria. But more and more studies are currently being published from South American, Asian and Arabic countries as well.

Do psychologists have a tendency to make unrealistic demands?

The danger looms. I believe it's important for psychologists to increasingly engage in a mutual exchange with economists too, since the ideal allocation of scarce resources ultimately always plays a sig-

“WHETHER INVESTORS AIM TO LAUNCH A PRODUCT ON THE MARKET THAT IS SUITABLE FOR THE MASSES OR SOMETHING SPECIAL IS THEIR DECISION.”

nificant role. Psychology sometimes has a tendency to deal only with the well-being of people while neglecting the issue of scarce resources. I'm particularly interested in what priorities people set, when they face constellations with conflicting objectives and interdependencies.

Who benefits from the knowledge of urban psychology?

On the one hand, the user since they gain a better understanding; on the other, the investor since they invest in those environmental attributes that are held in high regard.

What specifically are these advantages?

I believe that urban psychology leads to a more «people-friendly» environmental

landscape. For example, you certainly know buildings in which you continually lose your way – urban psychology provides the knowledge regarding which building characteristics hamper or facilitate navigation.

What benefits do investors and homeowners have?

Investors are frequently confronted with cost-benefit considerations such as larger rooms or common spaces, hardwood flooring or high ceilings. Psychologists can provide support by means of empirical findings or through a specific user analysis.

How is urban psychology compatible with Swiss regulatory requirements?

My hypothesis is that ideal solutions are better realised through incorporating people in the design process than through increasingly tighter regulatory requirements.

Isn't there a danger that the mainstream will always prevail thanks to urban psychology, while outstanding projects are restricted or rejected?

Urban psychology is less concerned with trends and more focused on basic issues such as privacy, social exchange, orientation, stimulation, etc. These factors contribute to a building's long-term

functionality. Whether investors aim to launch a product on the market that is suitable for the masses or something special is their decision.

The very first urban psychology higher education course took place at the University of Zurich in March 2013. Who were the participants in the course?

The participants were predominantly management-level persons, including institutional investors and those from the public sector, in addition to some architects. The course evaluation revealed that the topics were very relevant, although making the connection between research and practice is not always achieved. We have been working on that aspect, and I'm eager to see the results of the second urban psychology course in 2014.

Which research topics would you delve into more intensively?

Within the scope of my dissertation, I analyse the factors to which the preferences for Wilhelminian-style façades substantiated in various studies are attributable. Relevant recommendations for the design of new buildings can be derived depending on the results. Furthermore, we are also addressing the issue of how the user's perspective can be more strongly incorporated in projects. We are currently in the process of assembling a group of investors that are interested in this topic.



«Ideal solutions emerge more easily through involving people than through imposing regulations.»

CUREM

The Center for Urban & Real Estate Management (CUREM) was founded in 2003 as a private initiative emanating from and focusing on the real estate sector. In 2009, CUREM was integrated into the University of Zurich (Institute for Banking and Finance). CUREM ranks among the leading providers of higher education in the field of real estate management.

CUREM offers the Master of Advanced Studies (MAS) in Real Estate as post-graduate course of study, in addition to various compact courses including Urban Psychology, Fundamentals of Real Estate Evaluation, Real Estate and Portfolio Management, Urban Management – Applied Economy of Space and Indirect Real Estate Investments.

REAL-LIFE EXAMPLES | Relevant perceptions of urban psychology



The results of various surveys reveal that relatively structurally detailed façades with decorative elements are perceived as more attractive and valuable than plain, extensive surface façades. Whether or not this preference also applies to new buildings is still insufficiently clarified. The image shows the Fraumünsterpost in Zurich built in 1901. (Vienna, Hefler, 2009)



Shopping centre visitors assess navigation-friendliness as one of the most important attributes of a shopping centre. Atriums, clear lines of sight between entrances and exits, right angles, identical layouts throughout the levels and prominent symbols facilitate navigation for visitors. Photo: Stücki shopping centre, Basel (Hölscher, et al, in press.)



The results of a representative survey in Hamburg revealed that two thirds of the test subjects preferred mullion windows. The vast majority of respondents would even be willing to pay higher rent prices for mullion windows. (Mader, 2010)

A young boy with brown hair, wearing a light blue sweater and khaki pants, is laughing and reaching out towards an elderly man. The man, with white hair and sunglasses, is wearing a dark blue sweater and grey trousers, sitting on a stone ledge and smiling back. They are outdoors near a body of water, with a blurred background of mountains and trees. The scene is bright and sunny, with some water droplets visible in the air.

04

FOCUS

QUALITY OF LIFE FOR SENIORS

ANTICIPATING AND INVESTING



The acquisition of Tertianum AG, Zurich, last year paved the way for Swiss Prime Site to enter the fast-growing «assisted living» market segment. The real estate portfolio here should expand from the current CHF 441 million to CHF 1 billion. Tertianum foresees growth potential particularly in new offerings for the broad middle class.

With the acquisition of Tertianum AG carried out in the summer of 2013, Swiss Prime Site initiated the development of the potential high-growth market for residential and geriatric care services for seniors. First of all, the statistics speak in favour of such a move. Life expectancy at birth in Switzerland is among the highest in the world, with the relevant ages for men and women climbing from 46 to more than 80 and 49 to nearly 85, respec-

“MARKET VOLUME IS ESTIMATED AT CHF 19 BILLION FOR 2030.”

LUCA STÄGER,
CEO Tertianum Group

tively, since 1900. Moreover, the number of people over the age of 80 should double by the year 2030.

NEW NEEDS AND PREFERENCES

The demographic trend has an effect on demand. In fact, the demand for services in the geriatric care segment is growing

with the absolute increase in the proportion of seniors and rising life expectancy rates. «The Swiss market for long-term care should see robust growth in the coming decades. Market volume is estimated at roughly CHF 19 billion for 2030,» according to Luca Stäger, CEO of Tertianum Group.

In addition to the statistics and demographics, however, growth will also be driven by the changing needs and preferences of seniors, whose living requirements, willingness to relocate and residential mobility are significantly influenced by the following factors:

- health and life expectancy
- financial opportunities
- lifestyle concepts (depending on professional activities and on living patterns)
- residential property market

Joëlle Zimmerli and Petra Vogel concluded these findings in their analysis entitled «Senior living requirements and residential mobility – today and tomorrow». The study was carried out at the request of canton Zurich and published in October 2012. Signs of the changing trend in demand already emerging today open the door to new opportunities for specialised real estate investors and service providers.



TERTIANUM BELLEVUE PARK RESIDENCE | Thun

TERTIANUM GROUP

Tertianum has been active in the senior housing sector since 1982 and in the interim has developed into the Swiss market leader in the «assisted living» segment. Today, the Group comprises three brands: Tertianum Residences offers apartments for independent senior living and comprehensive services for an individually structured lifestyle.

Vitadomo stands for assisted residence and geriatric care with à la carte services for a broad middle class. Perlavita consists of five operating businesses that provide stationary services revolving around the topic of senior healthcare. Permed, active in the areas of ambulant services as well as personal services in the healthcare industry, was divested as at 17.03.2014.

MULTIFACETED FORMS OF
RESIDENTIAL HOUSING AND
SOPHISTICATED INTERFACES

Similar to the trend towards a broad range of residential rental properties already visible (e.g. ranging from inexpensive apartments in older buildings to luxurious split-level penthouses), the spectrum of residential offerings for seniors will increasingly expand as well. This also applies to the range of geriatric care and other services focusing on customers' health status and their individual needs.

HEALTHCARE
WILL ASSUME
A NEW SIGNIF-
ICANCE AND
TRIGGER NEW
CHALLENGES.

Renowned future researcher Matthias Horx coined the phrase «extended biographies», which explains the phenomenon that rising life expectancy may not lead to an ageing society, but rather to new living patterns, resulting in rejuvenation of behaviour and the system of values. Healthcare will assume another significance and trigger numerous new challenges, such as flexible retirement and increasing retirement age, as well as potential new types of pension schemes, for example, in the form of residential benefits in service facilities.

Tertianum Group is well-positioned for facing these trends, banking on individuality and flexibility – naturally hand in hand with consistently higher levels of professionalism and quality.

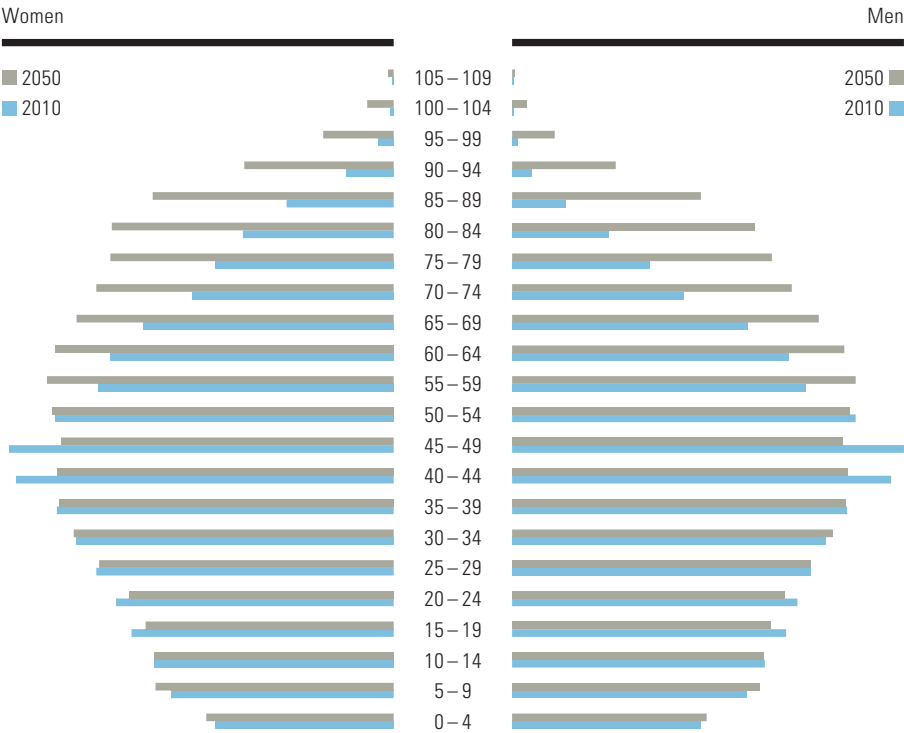
VITADOMO FOR THE BROAD
MIDDLE CLASS

Tertianum Group maintains a presence in the premium segment with 16 Tertianum Residences and five Perlavita facilities, most of which are situated in exclusive locations in the economic regions of Zurich and Berne as well as Eastern Switzerland. However, the growth potential in the exclusive «residences» sub-segment is limited. On the other hand, there are signs of a significant surge in demand in the medium price segment, where Tertianum Group aims to establish a presence with the Vitadomo brand. «Our target groups include persons in need of care, in addition to active individuals or couples that value the amenities of individually booked services,» explains Marianne Häuptli,



The spacious apartments focus on the needs of seniors.

DEMOGRAPHIC GROWTH
IN SWITZERLAND FROM 2010 TO 2050



Source: Swiss Federal Statistical Office (SFSO)

Director of Vitadomo and member of Tertianum management. In contrast to most competitors – which include various basic services in their offerings for assisted residences such as daily meals or weekly cleaning – Vitadomo is primarily an apartment leasing business. Consequently, tenants are not compelled to pay for services

that they do not, or not yet, require. Tenants are charged a flat rate for security as well as infrastructure provided, which also includes access to an integrated care facility with stationary and ambulant services. The first two Vitadomo projects are already in the construction phase: Vitadomo Bubenzholz in Opfikon, construction start



Park Residence Meilen features 59 apartments, most with 2½ to 3½ rooms. The new building located at Seestrasse 545 (owned by Swiss Prime Site) contains 14 apartments.

date April 2013, and Vitadomo Bellinzona, construction start date summer 2014 (see also on pages 26 and 27).

«Vitadomo offers the consistent modularisation of individual services and is therefore particularly attractive for residents from a financial standpoint,» declares Ms Häuptli. Rent prices at Vitadomo Bubenholz in Opfikon are set according to the dimension and location of the apartment, at between CHF 1 250 and CHF 2 500

(excluding ancillary costs) for 1½ to 3½ room units. Such advantageous rents are only possible because Vitadomo is managed according to a streamlined structure. Director Marianne Häuptli states, «we have newly defined the processes and services from the ground up and optimised the personnel expenses.» For instance, each building is equipped with a site manager/director who leads a small, dynamic team (heads of geriatric care, food and beverage, maintenance/technical services,

administration). Additional services such as building/apartment cleaning, washing, technical and catering, etc. are outsourced to external service providers and therefore accounted for according to the effective services utilised only. Administrative activities are centralised at Tertianum headquarters. Vitadomo can also rely on the know-how and resources of Tertianum Group at any time as needed.



LUCA STÄGER IS NEW MEMBER OF SWISS PRIME SITE'S EXECUTIVE BOARD

Luca Stäger, CEO of Tertianum Group, was named as a member of Swiss Prime Site's Executive Board effective from 01.01.2014. He graduated from the University of St.Gallen with a Ph.D. in Economics (Dr. oec.) and has years of extensive experience in the healthcare industry.



05

LIFESTYLE

JELMOLI
FOOD MARKET
OPENS DOOR
TO NEW WORLD
OF DELICACIES

Jelmoli

Jelmoli

THE HEART OF BERLIN

NEUERÖFFNUNG

NEW BRANDS FOR ALL THE SENSES

In the wake of a brief, albeit intensive, modification phase, Jelmoli is opening the door to the new Jelmoli Food Market at the beginning of April 2014. The House of Brands now offers a unique realm of experience in the food & beverage segment as well, astounding its customers with innovative specialities in a pleasant market atmosphere.

Situated in the basement level, Jelmoli Food Market writes a new chapter in the story of the premium department store located at Zurich's Bahnhofstrasse, following in the footsteps of Jelmoli Gourmet Factory, which has been renowned far beyond Zurich's borders for decades for ensuring the utmost quality of its foods. The high-quality standard still prevails, but the assortment mix, presentation and ambiance are undergoing a fundamental renovation. With the motto «specialists selling specialities», Jelmoli Food Market is positioning itself as a culinary hotspot with national and international highlights.

PARADISE FOR GOURMETS

Natürli Zürioberland AG, Saland, which has garnered a reputation for its regional cheese specialities and other dairy products, operates Switzerland's first «cheese humidor» in Jelmoli Food Market. The Berlin-based start-up firm Wonderpots spoils its clientele with its legendary frozen yoghurts and countless toppings.



BUCHMANN BAKERY | Oven-fresh bakery goods prepared live on site

The Gstaad-based Pernet Comestibles guarantees fresh vegetables and fruits as well as fresh fish, in addition to operating the bar featuring freshly squeezed juices. Moreover, traditional Swiss butcher shop, Kauffmann, continues to offer its meat specialities. Jelmoli is also creating a large-scale open-display bakery with Buchmann, where customers can buy their bread directly from the oven. La Peppina entices visitors to the culinary realm of Italy. Sushi from Nippon markets Japanese gourmet expertise with raw seafood. And finally, Mövenpick

Wine welcomes customers to a modern wine cellar featuring the best wines from all around the world.

At Jelmoli Food Market, enjoying the delicacies on site is indeed at least as important as shopping. Nearly all the providers offer seating too, serving a hearty breakfast, snack, exquisite lunch, afternoon tea or delicious dinner according to their customers' desires and the time of day. Cheers and bon appétit!



MÖVENPICK WINE | More than 600 first-class wines from all around the world in a modern ambiance



PERNET COMESTIBLES | Bio-quality fresh fish and seafood daily

TO EACH HIS OWN

Buchmann **coffee bar**
Butcher shop from Kauffmann
Cheese specialities from Natürli
La Peppina **ice cream bar**
La Peppina **pasta bar**
La Peppina **piadina bar**
Mövenpick **wine bar**
Pernet Comestibles **juice bar**
Sushi bar from Nippon
The Market Grill by Jelmoli
Wonderpots **frozen yoghurt**

An aerial photograph of a city, likely Zurich, Switzerland. A large river (Limmat) flows through the city, curving around a large industrial or commercial area with many long, rectangular buildings. Residential areas with dense housing are visible on the right and bottom. In the background, there are rolling green hills and mountains under a blue sky with some clouds.

06

..... PROPERTIES AND PROJECTS

LAND RESERVES WITH POTENTIAL

VIEW ON PROJECT PIPELINE

Swiss Prime Site is investing more than CHF 700 million in ongoing new building and modification projects. At the same time, the Group boasts a well-filled project pipeline comprising property development sites and building land reserves.

Only those companies that replenish their real estate portfolio on an ongoing basis – i.e. investing in building land, new building and modification projects as well as renovation and modernisation – can remain competitive in the battle for acquiring good tenants. Swiss Prime Site consistently operates according to this simple philosophy. «The acquisition of existing real estate alone can no longer sustainably ensure success, because most of the properties offered for sale are insufficiently tailored to tenants' desires, unable to fulfil ecological requirements or too expensive,» states Peter Lehmann, Chief Investment Officer of Swiss Prime Site.

The initiation of a project development can emanate from various sources. Either

Swiss Prime Site identifies a market demand and conducts a probe, determining under which prerequisites it could cover such a demand. Or a project idea is presented to Swiss Prime Site, and its specialists verify whether the project fulfils the economic, ecological and social criteria. In practice, the process often proceeds in mixed forms. The most significant issue is always whether a particular property conforms to Swiss Prime Site's investment strategy and how the portfolio would change. The basic prerequisite is an appropriate potential for returns, which should be assessed together with the relevant risks. In this context, vacancy rates usually constitute the greatest risk. Swiss Prime Site therefore generally starts up projects only when rental agreements are signed for more than 50% of the target rental income.

However, this prerequisite is sometimes difficult to fulfil in the residential construction sector. Swiss Prime Site therefore invests very selectively and

cautiously in this sector. One reason for caution is also the fact that rents generally are not indexed. Consequently, those rents cannot always be adjusted to inflation rates, in contrast to office and retail properties.

LAND RESERVES HARBOUR LONG-TERM POTENTIAL

Swiss Prime Site's exhaustible development potential in the long term emanates from a number of properties that are currently still undeveloped, or only partially developed, but exhibit a consistently high quality of location (see the following table).

DYNAMIC PROJECT DEVELOPMENT BUSINESS

The projects that are already in the construction phase harbour earnings potential to be realised in the medium term. Swiss Prime Site has resolutely expanded these activities in recent years, as demonstrated by the building development projects presented on pages 24 to 27.

DEVELOPMENT SITES AND BUILDING LAND RESERVES

PROPERTY	LAND	CURRENT STATUS	PROJECT CONCEPT	ESTIMATED INVESTMENT	CONSTRUCTION PHASE
Berne, Weltpoststrasse, Murifeld	31 074 m ² land lease	Industrial buildings with interim utilisation	Real estate complex with approx. 150 apartments	CHF 60 million	From 2016
Geneva, Route de Pré-Bois I	2 156 m ² land lease	Hotel and underground parking garage	Real estate complex with approx. 3 900 m ² commercial floor space	CHF 15 million	From 2015
Geneva, Route de Pré-Bois II	7 631 m ² ownership 1 004 m ² future land lease	Quarter planning	Real estate complex with approx. 15 000 m ² commercial floor space	CHF 60 million	2016–2020
Otelfingen, Industriestrasse 19/21, 31	114 068 m ²	Logistics property with industrial building land	Buildings with approx. 45 000 m ² commercial floor space	CHF 75 million	From 2016
Plan-les-Quates, Chemin des Aulx	28 429 m ²	Industrial building land	Real estate complex with approx. 65 000 m ² to 70 000 m ² commercial floor space	CHF 300 million	2016–2021
Zuchwil, Riverside Business Park	170 345 m ²	Commercial property	Real estate complex with commercial floor space and apartments	CHF 250–300 million	From 2017
Zurich, Eventblock Maag, Hardstrasse 219	8 002 m ²	Event halls/theatre	Real estate complex with 18 000 m ² rental floor space for events, restaurant and services	CHF 110 million	From 2020



MAAGHOF | The condominiums are situated in the two privileged ends of the L-shaped building, radiating a spacious urban flair.



Maaghof offers considerable residential comfort in the heart of the former industrial zone.



Floor spaces are conceptualised in such a way that they allow future residents a high degree of creative design.

MAAGHOF NORTH AND EAST, ZURICH

The Maaghof building complex located west of Prime Tower accommodates the inevitably growing trend toward living in an urban environment – and ideally near the workplace as well. The site is currently undergoing construction of 137 rental apartments and 83 condominiums. Maaghof North and East comprises two wings of a U-shape-structured residential real estate complex situated amid the greenery of Maaghof Park. In addition to total residential floor space of 21 800 square metres – allocated to nine upper floors – the ground floor houses roughly 2 200 square metres of commercial floor space, which is suitable for retail shops, a children’s day-care facility or a food

& beverage business, for example. The underground level will contain 143 garage parking places.

The apartment layouts offer spacious dimensions. The design and size of the windows create a bright, pleasant atmosphere, providing a panoramic view far into the horizon – especially on the upper floors. The apartments also feature a high-quality, modern and timelessly elegant interior design. The proposed strip hardwood flooring made of chestnut lends the living rooms a cosy ambiance. Moreover, additional services can be booked upon request such as washing and cleaning, or watering plants and emptying the postbox

when tenants are on holiday, as well as running errands and carrying out manual labour tasks.

More than half of the 83 condominiums have been sold. Prices for the units still available start at roughly CHF 800 000 for an apartment with 70 square metres. Leasing of the 137 rental apartments through Wincasa begins in May 2014.

BRIEF NEWS	
Completion	spring 2015
Investment volume	approx. CHF 140 million
Information (condominiums)	www.maaghome.ch
Information (rental apartments)	www.maag-ich.ch



MURIFELD | Most of the office floor space is already leased at the modernised and revitalised Murifeld building complex.

MURIFELD, BERNE

The Murifeld site has an eventful history. The property has been part of Swiss Prime Site's portfolio since 2000 and was leased to Credit Suisse up until 2012. Following the bank's departure, the property has undergone modernisation and is now oriented towards the market. While the Murifeld West building was primarily visually upgraded, Murifeld East has undergone such reconstruction that the property nearly qualifies as a brand-new building. The prudent process has indeed paid off, with the lion's share of the new office floor space already leased again for the long term.

RESIDENTIAL BUILDING COMPLEX IN THE PLANNING STAGE

But the potential for this land lease site of the Burgergemeinde Berne totalling 31,074 square metres – featuring a large underground garage, tennis court and soccer field, in addition to the two buildings – is far from being exhausted, prompting Swiss Prime Site to conduct an evaluation of new and supplemental uses of the site. Based on the persistently high demand, a focus on apartments soon emerged. A preliminary study carried out by a renowned urban planning office in the interim substantiated that an attractive high-density superstructure is feasible. A design competition will



Rental apartments and condominiums will emerge on the land lease properties in the next years.

now lay the groundwork for an appropriate development plan and statutory zoning revision.

The Murifeld site should emerge in the next years as a mix of residential and resident-friendly workplace uses, with above-average urban and architectural qualities. The focal point should be directed at a minimum 80% residential and supplemental uses.

The construction start-up date for the first stage of the compact development with approximately 150 apartments is envisaged

for 2016. The proposed mix comprises one third rather smaller, inexpensive rental apartments, one third middle-class rental apartments and one third condominiums. The ground floor should be utilised as studios, or commercial and social floor space, depending on the noise exposure. The competition will likely be concluded in August 2014 with the judging process and subsequent publication of the results.



VITADOMO BELLINZONA | Swiss Prime Site is investing CHF 38 million in a new Vitadomo facility located on Via San Gottardo.

VITADOMO, BELLINZONA

With the acquisition of Tertianum Group in the summer of 2013, Swiss Prime Site signalled its expansion into the assisted living segment. One significant stage of this process is manifested in the construction project on Via San Gottardo in Bellinzona. The property comprising 7 115 square metres – located near the railway station and Bellinzona North expressway exit – will be the site of construction of three buildings consisting of a total of 71 apartments, a geriatric

care facility with accommodation for 30 persons and three doctor offices. The pentagonal-shaped buildings are connected to each other via a subterranean passageway.

Following completion in the summer of 2016, the buildings will be leased to Tertianum, which is assuming responsibility for operations and managing the property under the Vitadomo brand (see also pages 16 to 19).

The new residential housing opportunities for seniors tap a customer segment that has been rather neglected up to now. While Ticino is home to a variety of senior residences in the premium price segment, it lacks the structures for the broad middle class. Tertianum Group is filling this gap with its Vitadomo line.

BRIEF NEWS	
Completion	summer 2016
Investment volume	approx. CHF 38 million



MOTEL ONE, BASEL

Swiss Prime Site is transforming the commercial building located at Freie Strasse 68 into a hotel by the winter of 2015, consisting of 136 rooms distinguished by their first-class design and attractive price. The new hotel situated in the heart of Basel will be operated by the successfully and rapidly expanding Motel One in Munich, Germany (see also page 28).

Completion	winter 2015*
Investment volume	approx. CHF 17 million
Information	www.motel-one.com



LA PRAILLE CINEMA, GRAND-LANCY

The La Paille shopping centre will open the doors to a new multiplex cinema with nine theatres and 1 400 seats in June 2014. La Paille is located in the new urban district of Praille-Acacias-Vernets (PAV), with very well-developed infrastructure. In addition, a newly constructed photovoltaics system has been in operation on the roof since December 2012, producing roughly 177 000 kWh of power annually.

Completion	June 2014
Investment volume	approx. CHF 22 million
Information	www.lapaille.ch



AUX ARMOURINS, NEUCHÂTEL

Two existing building sub-structures are undergoing renovations and another structure is being replaced with a new building at the centrally located site at Rue du Temple-Neuf 14. When completed, the property will be home to roughly 3 600 square metres of state-of-the-art retail floor space spread over two floors (tenant: Zara). The development project will be supplemented with attractive apartments and offices (2 900 square metres).

Completion	June 2014
Investment volume	approx. CHF 26 million

*subject to receipt of building permit

NEW SWISS POST HEADQUARTERS, BERNE

The Majowa development project is being executed at Wankdorfallee 4 in Berne, in close proximity to the Wankdorf station. The new building will be home to the new Swiss Post headquarters, which decided in favour of entering into a long-term partnership with an experienced investor such as Swiss Prime Site, rather than pursuing its own building development project. The structure comprises roughly 33 700 square metres of rental floor space for around 1 800 workplaces in the second to seventh floors. A conference centre will be situated on the first floor. The personnel restaurant on the ground floor has capacity for 450 persons. Plans call for 170 parking places as well as 450 spaces for bicycles on the subterranean levels. With the construction of the new Swiss Post headquarters, Swiss Prime Site is erecting one of the first new office buildings in Switzerland that will be granted Gold certification by the German Sustainable Building Council (DGNB).

The new building is located in the Wankdorf City district, which is part of the ESP Wankdorf development site comprising an area of 36 hectares. SBB (Swiss federal railways) is constructing two new office buildings at the location for the group's central services. Losinger Marazzi AG,



SWISS POST HEADQUARTERS | The new services building is home to 1 800 workplaces and will be completed in autumn 2014.

which is constructing the new Swiss Post building as total contractor, is building its own headquarters at the location, too. Finally, PostFinance Arena, Stade de Suisse and the Wankdorf Shopping Centre also count among the prominent neighbours here.

BRIEF NEWS

Completion	autumn 2014
Investment volume	approx. CHF 144 million



VITADOMO BUBENHOLZ, OPFIKON

The Bubenholz senior centre in Opfikon near Zurich comprises 59 apartments with à la carte services and geriatric care wing with 43 beds for long-term care as well as publicly accessible bistro and multi-purpose auditorium. The geriatric care facilities will be operated by Tertium Group within the scope of a public private partnership (PPP) commissioned by the city of Opfikon.

Completion	spring 2015
Investment volume	approx. CHF 42 million
Information	www.bubenholz.vitadomo.ch



FLURPARK, ZURICH

The property located in the up-and-coming Zurich Altstetten district will undergo extensive renovation and modernisation. Following completion, Flurpark will feature the Minergie standard, ultra-efficient building technology and high-quality materialisation. After modification, the property will comprise 18 500 square metres of office and services floor space, 7 700 square metres of warehouse space and 456 subterranean parking spaces.

Completion	spring 2015
Investment volume	approx. CHF 69 million
Information	www.flurpark.ch



SKYKEY, ZURICH

The services building located in Zurich Oerlikon consists of roughly 40 000 square metres of office floor space for around 2 300 workplaces and various conference rooms as well as a restaurant/cafeteria with seating for 720 persons. The building volume comprises an eight-storey base structure and 18-storey tower extending 63 metres. The building is destined for LEED (Leadership in Energy & Environmental Design) certification and leased to Zurich Insurance Company Ltd.

Completion	mid-2014
Investment volume	approx. CHF 236 million
Information	www.skykey.ch

MOTEL ONE IN BASEL



MOTEL ONE | Overnight stay with design – starting from 2015 in the heart of Basel

Design hotel group Motel One will open the doors to its first location in Switzerland in the winter of 2015, with its address at Freie Strasse 68, 4051 Basel. The building, constructed in 1930 and located in the heart of Basel near Barfüsserplatz, has belonged to Swiss Prime Site's portfolio since 1999 and has been utilised as a commercial property to date. Swiss Prime Site is now investing around CHF 17 million in the conversion

of the roughly 3700 square-metre office space into a hotel with 136 ultra-modern rooms. The Munich-based company was founded in 2000 and currently operates 48 hotels with roughly 11000 rooms, situated in prime urban locations. The company plans to operate 72 hotels with 18000 rooms by 2016, of which 18 will be located outside Germany.

www.motel-one.com



FRANCO SAVASTANO | CEO of Jelmoli

JELMOLI CEO PRE- SIDES OVER ZURICH BAHNHOFSTRASSE ASSOCIATION

Franco Savastano has presided over the Zurich Bahnhofstrasse Association, which supports the interests of the retail trade along Zurich's world-renowned shopping mile, since December 2013. The CEO of Jelmoli – The House of Brands succeeds Markus Hunig. Vice-Presidents are Tanja Fruithof, Director of Bucherer Zurich, and Adrian Meister, Delegate to the Board of Directors of Meister Juwelier AG.

CLOUDS CONFERENCE FEATURES SPRING OFFER



CLOUDS | Meetings with added value – in Clouds Conference

Just in time for the start of spring, Clouds Conference in Prime Tower, Zurich, is launching a special comprehensive package for conferences, seminars or workshops. Between 21.03. and 30.04.2014, the price for the package amounts to just CHF 135 instead of CHF 165 per participant (up to 30 persons). The price includes a delicious three-course menu on the 35th floor in Clouds Restaurant or Patio 1, two coffee breaks and unlimited water.

Information at:
conference@clouds.ch
Tel. +41 44 404 30 00
www.clouds.ch



REPORTING

FINANCIAL YEAR
2013

FINANCIAL YEAR 2013

**“WE ARE WELL-
POSITIONED AND
STILL ON THE
GROWTH PATH.”**

PETER WULLSCHLEGER,
CFO Swiss Prime Site

AGENDA

ANNUAL GENERAL MEETING

15.04.2014 – financial year 2013

PUBLICATION

15.05.2014 – first-quarter results 2014

**OPERATING EARNINGS (EBIT)
AFTER REVALUATION EFFECTS*
IN CHF MILLION**

530.6 **+3.5%**

You will find the Annual Report as at 31.12.2013
at: www.swiss-prime-site.ch/ar13

STRONG EARNINGS MOMENTUM

A real estate portfolio valued at CHF 9.3 billion, CHF 530.6 million in earnings before interest and taxes, CHF 343.9 million in net profit and a proposed distribution of CHF 3.60 per share – these numbers reveal that Swiss Prime Site turned in a renewed, very dynamic and successful performance in 2013. And the prospects remain upbeat.

Swiss Prime Site realised a 3.5% increase in EBIT to CHF 530.6 million and a 10.5% pickup in profit to CHF 343.9 million for the financial year 2013. Revaluation of properties of CHF 186.7 million (-0.3%) held steady at the previous year's high level. Excluding revaluation effects*, EBIT rose by 5.7% to CHF 343.9 million and profit climbed by 12.4% to CHF 222.8 million, resulting in earnings per share (EPS) of CHF 5.70 (CHF 5.67).

The Board of Directors will propose an unchanged distribution of CHF 3.60 per share to the Annual General Meeting of 15.04.2014. The payout will be effected through a withholding tax-exempt distribution from capital contribution reserves. The proposed distribution corresponds to an attractive cash yield of 5.2% (4.7%), based on the closing share price of CHF 69.05 (CHF 76.35) at year-end 2013. «Swiss Prime Site has perpetuated its profitability

even in the wake of the steps taken to achieve growth in the past two years, thus fulfilling one of the most significant desires of the shareholders,» declares CEO Markus Graf.

**“SWISS PRIME
SITE'S EARNINGS
STRENGTH HAS
PERSEVERED.”**

MARKUS GRAF,
CEO Swiss Prime Site

Operating income amounted to CHF 764.7 million, corresponding to an increase of CHF 180.1 million. Any comparison with the previous year's period should take into account the fact that Wincasa and Tertianum were only consolidated from 25.10.2012 in the previous year and from 12.07.2013 in the reporting year, respectively. Moreover, new IFRS guidelines (IFRS 13 and IAS 19 rev.) had an impact on financial accounting.

REAL ESTATE SEGMENT

The real estate segment, comprising property investments as well as real estate

services, posted a 0.7% decline in rental income from CHF 427.4 million to CHF 424.2 million. The vacancy rate edged up to 6.1% (4.8%), thus fluctuating within the expected range.

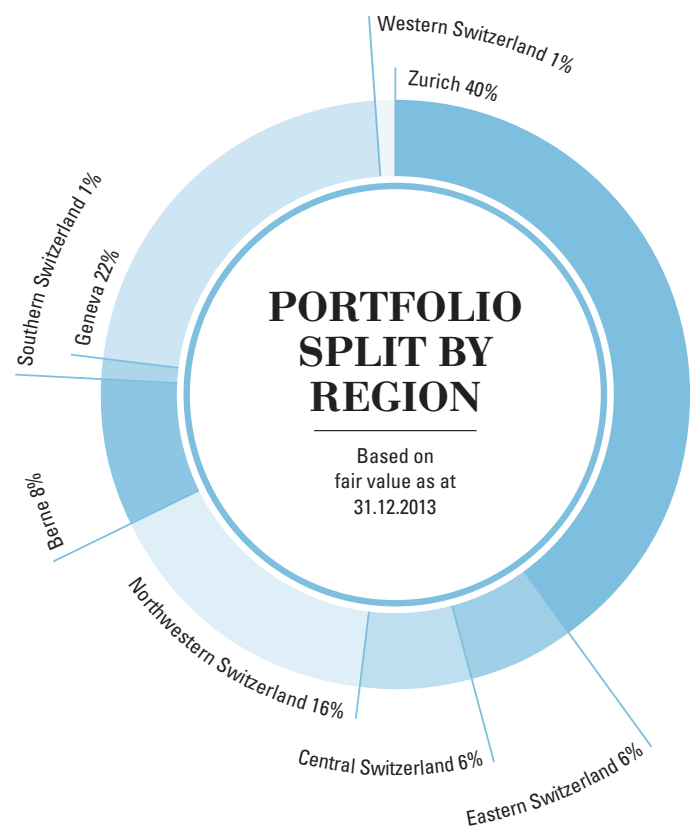
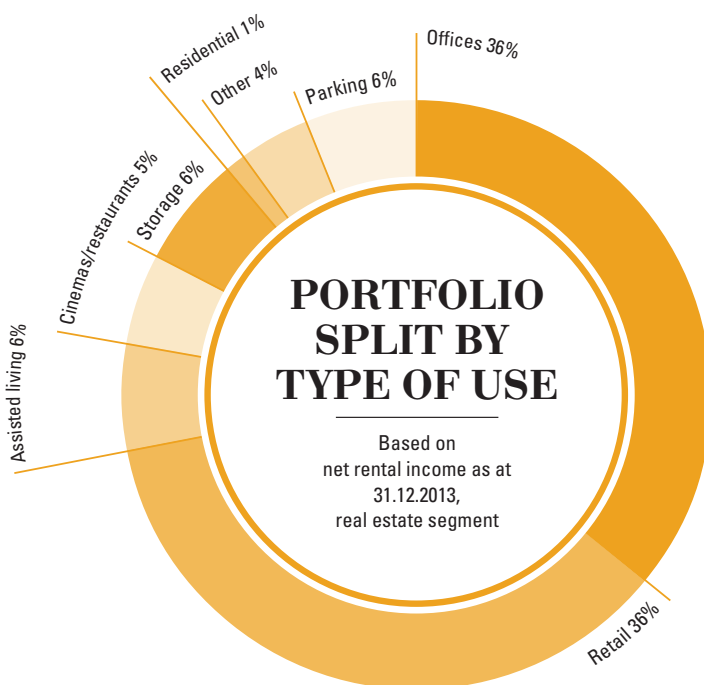
As at end 2013, the real estate portfolio consisted of 193 (188) properties valued at CHF 9.3 billion (CHF 8.6 billion). The portfolio's fair value grew by CHF 739.2 million or 8.6%. The pickup in value was attributable primarily to the acquisition of existing properties (CHF +428.5), value changes in existing properties (CHF +253.0 million) and projects (CHF +211.0 million), less the divestments (CHF -166.9 million). The first-time portfolio valuation according to IFRS 13, with the highest and best use concept, resulted in added value of CHF 22.5 million in 2013.

Ten properties were divested in the reporting period at a total price tag of CHF 186.4 million. The sales proceeds exceeded the fair value of CHF 166.9 million reported at end 2012 by 11.7%. The divestments included a larger commercial property in Allschwil, a logistics building in Oberbüren and eight smaller properties. With the acquisition of Tertianum AG, the port-

* revaluations and deferred taxes



OPUS ZUG | Just one example of roughly 190 investment properties



folio expanded by 14 existing properties and the Vitadomo Bubenholz project in Opfikon. The fair value of the acquired Tertianum properties amounted to CHF 440.8 million at end 2013. The ongoing development projects are proceeding according to plan (see also pages 22 to 27).

Revenues from real estate services of Wincasa totalled CHF 98.7 million. Wincasa was acquired in October 2012 and consolidated for just two months in the previous year (CHF 14.1 million).

RETAIL AND GASTRONOMY SEGMENT

Income from retail and gastronomy amounted to CHF 156.4 million. The decrease of 1.7% versus CHF 159.1 million in the previous year was attributable primarily to diminished revenues in the hotel and restaurant businesses. Jelmoli – The House of Brands department store in Zurich realised net retail turnover of CHF 136.9 million (CHF 136.4 million) and rental income amounted to CHF 18.0 million (CHF 17.8 million). The operating business of Hotel Ramada Encore in Geneva was divested at the end of 2013.

ASSISTED LIVING SEGMENT

The assisted living segment comprises the business operations of Tertianum Group. Since the acquisition date of 12.07.2013, the assisted living segment generated revenues of CHF 85.7 million and rental income from leasing properties of CHF 25.4 million. Tertianum Group is treading on a growth path in the market for senior residences and geriatric care services, providing primarily residential housing under the Vitadomo brand, featuring integrated



LA PRAILLE | The centre in Grand-Lancy combines shopping and leisure.

FOR 2014, SWISS PRIME SITE FORECASTS PROFIT FIGURES ON PREVIOUS YEAR'S LEVELS.

care facilities and established in the medium price segment.

OUTLOOK

As a broad-based Group, Swiss Prime Site aims to resolutely seize investment and growth opportunities as well as further

expand its position as the leading listed real estate investment company in Switzerland. The Group continues to maintain an optimistic view of the current year, with a forecast calling for a vacancy rate of 6.0% to 7.0% and EBIT and profit figures (before revaluation and one-time effects) on previous year's levels. These upbeat expectations are based on overall conditions characterised by robust economic growth and strong exports, still high – and in certain sectors even rising – employment levels, low interest rates and brisk consumer demand. The flow of migration in Switzerland should remain high for the time being in 2014 despite the acceptance of the «Against Mass Migration Initiative».



TERTIANUM BELLERIVE RESIDENCE | Lucerne



CLOUDS | Dining with a breathtaking view

SELECTED GROUP KEY FIGURES

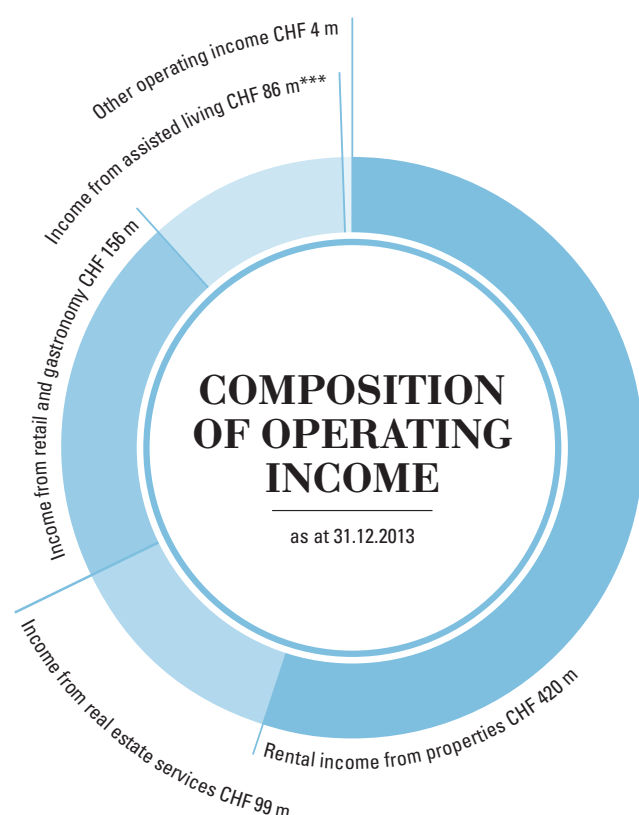
KEY FINANCIAL FIGURES	DETAILS IN	31.12.2013	31.12.2012*	CHANGE IN %
Rental income from properties	CHF m	420.1	408.8	2.8
Income from real estate services**	CHF m	98.6	14.1	599.3
Income from retail and gastronomy	CHF m	156.2	159.0	(1.8)
Income from assisted living***	CHF m	85.7	–	–
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	CHF m	557.3	529.7	5.2
Earnings before interest and taxes (EBIT)	CHF m	530.6	512.6	3.5
Profit attributable to shareholders of Swiss Prime Site AG	CHF m	343.9	311.3	10.5
Comprehensive income attributable to shareholders of Swiss Prime Site AG	CHF m	378.2	323.5	16.9
Shareholders' equity attributable to shareholders of Swiss Prime Site AG	CHF m	4 107.3	3 913.9	4.9
Equity ratio	%	39.1	42.4	(7.8)
Borrowed capital	CHF m	6 404.9	5 323.1	20.3
Borrowed capital ratio	%	60.9	57.6	5.7
ROE (weighted)	%	9.1	8.9	2.2
ROIC (weighted)	%	4.6	4.8	(4.2)
Figures without revaluation effects ****				
Earnings before interest and taxes (EBIT)	CHF m	343.9	325.4	5.7
Profit attributable to shareholders of Swiss Prime Site AG	CHF m	222.8	198.2	12.4
Earnings per share (weighted)	CHF	3.69	3.61	2.2
ROE (weighted)	%	6.1	5.9	3.4

* restatement due to IAS 19 rev.

** acquisition of Wincasa AG as at 25.10.2012

*** acquisition of Tertianum AG as at 12.07.2013

**** revaluations and deferred taxes



WORKFORCE

AS AT 31.12.2013



Number of employees

Of which apprentices

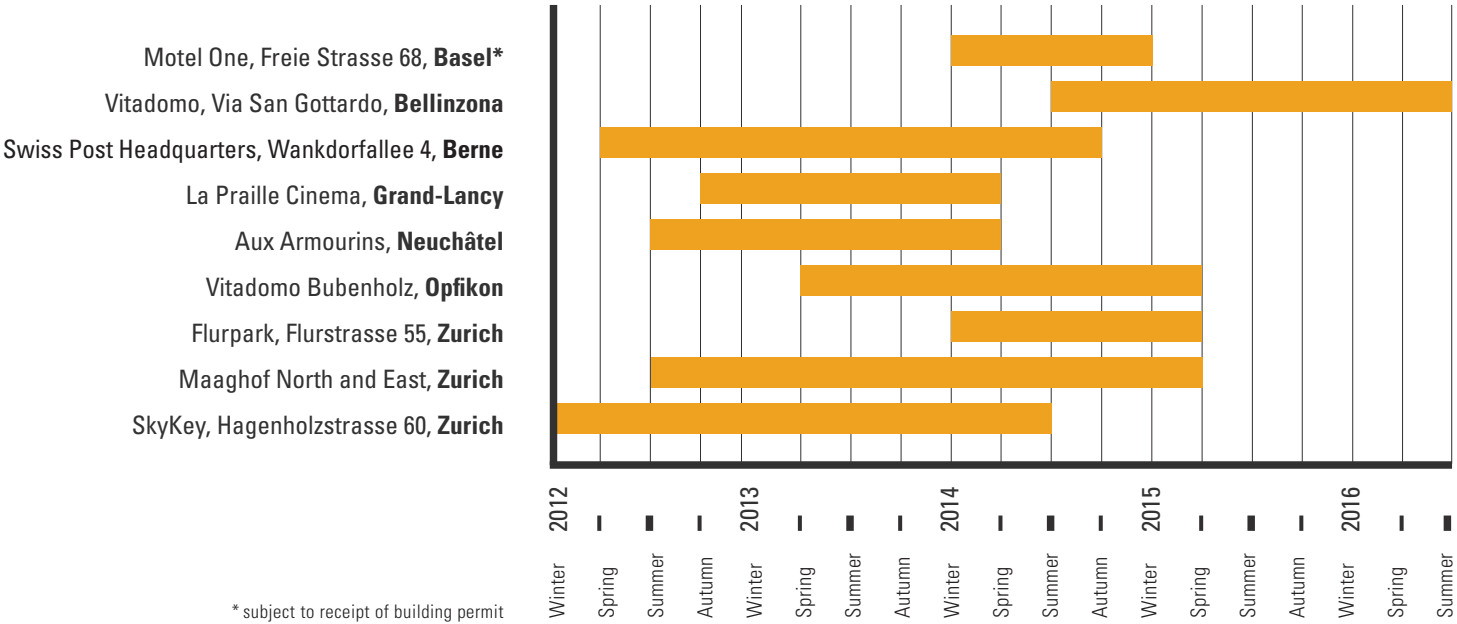
31.12.2013	31.12.2012
3 115	1 462

31.12.2013	31.12.2012
175	88

PORTFOLIO

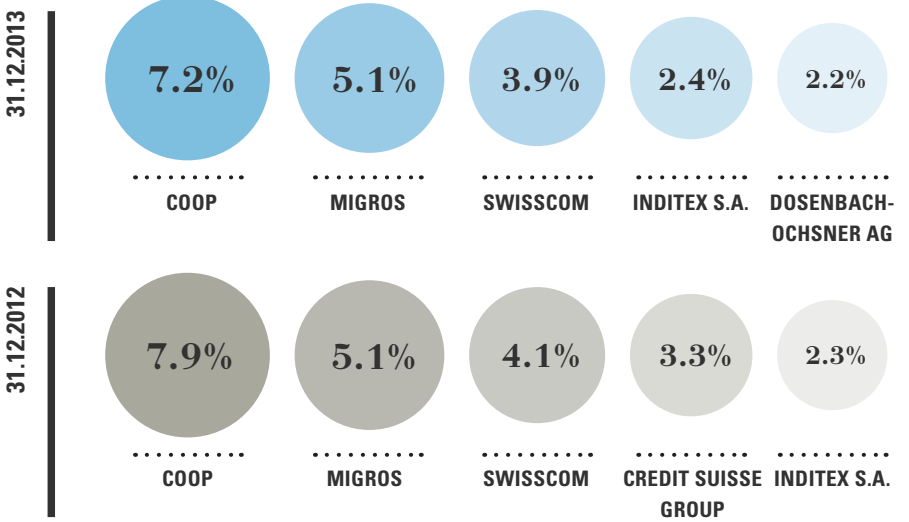


CURRENT PROJECTS



LARGEST TENANTS

At the balance sheet date of 31.12.2013, the five largest external tenant groups accounted for 20.8% (22.7%) of future annual net rental income and land lease income (real estate segment perspective). These individual tenants have good credit ratings.



SHARE

SHARE PRICE (31.12.2013)

CHF 69.05

SHARE PRICE TREND (01.01.–31.12.2013)

high  low

CHF 78.45 CHF 66.35

MARKET CAPITALISATION

31.12.2013 CHF m 4 177.7

NAV BEFORE DEFERRED TAXES

31.12.2013 CHF 82.65

31.12.2012 restated* CHF 78.62

Change 5.1%

NAV AFTER DEFERRED TAXES

31.12.2013 CHF 67.91

31.12.2012 restated* CHF 65.22

Change 4.1%

EARNINGS PER SHARE (WEIGHTED)

31.12.2013 CHF 5.70

31.12.2012 restated* CHF 5.67

Change 0.5%

SHARE STATISTICS

Total registered shares 60 503 081

Securities number 803 838

ISIN number CH 000 803 838 9

SIX symbol SPSN

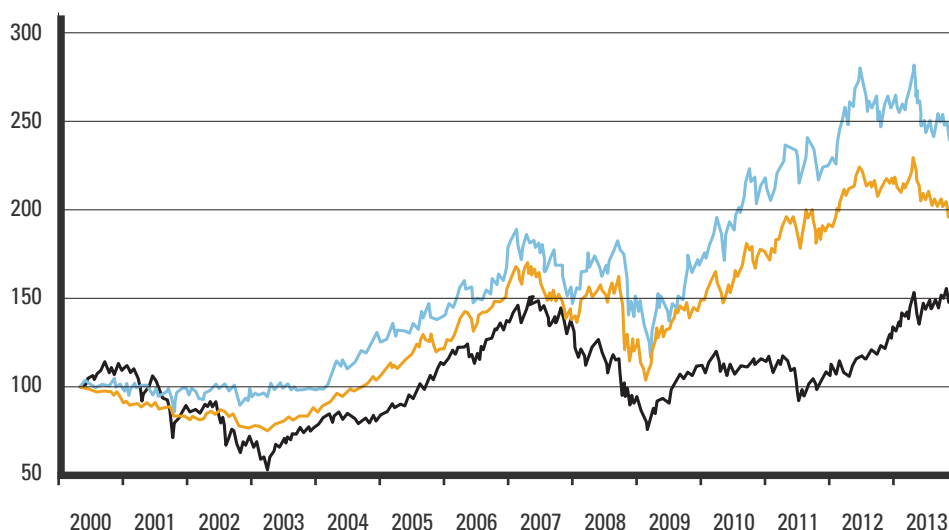
Number of shareholders 7 917

Average trading volume/day CHF m 8.3

* restatement due to IAS 19 rev.

PERFORMANCE 2000–2013

INDEX 05.04.2000 = 100



SPS

SWISS PRIME SITE
(6.9% p.a.)

SXI

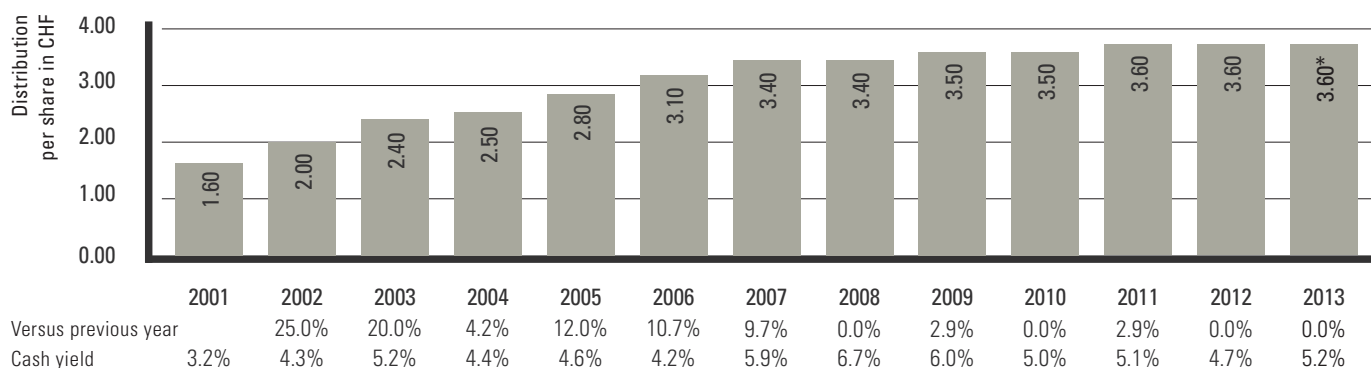
**SXI REAL ESTATE
SHARES INDEX**
(5.2% p.a.)

SPI

**SPI SWISS PER-
FORMANCE INDEX**
(3.2% p.a.)

Source: Bloomberg

DISTRIBUTION PER SHARE



* proposal to Annual General Meeting

SWISS PRIME SITE

REAL ESTATE



Swiss Prime Site AG, Olten, is Switzerland's largest listed real estate investment company, with a high-quality portfolio of properties valued at CHF 9.3 billion. The real estate holdings are optimised by dynamic portfolio management on an ongoing basis and expanded through value-enhancing project developments and earnings-boosting acquisitions.



Wincasa ranks among the leading real estate services companies in Switzerland, with 15 locations and 178 000 objects under management valued at CHF 42 billion.

ASSISTED LIVING



Tertianum Group forms the assisted living segment and ranks as Switzerland's leading provider in this sector.

RETAIL AND GASTRONOMY



Jelmoli – The House of Brands on the Bahnhofstrasse in Zurich is Switzerland's leading premium department store.



Clouds operates the restaurant and related bistro and bar as well as the conference centre on the 34th and 35th floors in Prime Tower, Zurich.

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Markus Graf

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Member of the Executive Board

Peter Wullschleger

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Member of the Executive Board

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Magnasch Joos

General Manager

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